84

FILED
FEB 25 2008
OFFICE OF THE CLERK
SUPREME COURT, U.S.

(3)

No. 07-938

IN THE

Supreme Court of the United States

NEW YORK MERCANTILE EXCHANGE, INC.,

Petitioner,

v.

INTERCONTINENTAL EXCHANGE, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF

JONATHAN A. MARSHALL
Counsel of Record
DAVID FRANCESCANI
MARK A. FISCHER
AUTUMN J.S. HWANG
KRISTEN MCCALLION
FISH & RICHARDSON, P.C.
Citigroup Center - 52nd Floor
153 East 53rd Street
New York, NY 10022
(212) 765-5070

MARTIN I. KAMINSKY
EDWARD T. MCDERMOTT
POLLACK & KAMINSKY
114 West 47th Street
New York, NY 10036
(212) 575-4700

Counsel for Petitioner

February 25, 2008

STATEMENT PURSUANT TO RULE 29.6

Petitioner's Rule 29.6 Statement was set forth at page ii of the Petition for a Writ of Certiorari, and there are no amendments to that Statement.

TABLE OF CONTENTS

I. The Merger Doctrine Was Considered by the District Court and the Court of Appeals..... 1

II. There Is a Compelling Need for this Court to Review the Merger Doctrine..... 3

III. A Circuit Court Split Exists Between the Second and Ninth Circuits..... 5

Conclusion.....8

TABLE OF AUTHORITIES

FEDERAL CASES

CDN Inc. v. Kapes,
197 F.3d 1256 (9th Cir. 1999) 5, 6

Delta Air Lines, Inc. v. August,
450 U.S. 346 (1981) 2

Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340 (1991).....4

KSR International Co. v. Teleflex, Inc.,
127 S. Ct. 1727 (2007) 3, 4

Veeck v. Southern Building Code Congress Intern. Inc., 241 F.3d 398 (5th Cir. 2001).....6

Veeck v. Southern Building Code Congress Intern. Inc., 293 F.3d 791 (5th Cir. 2002).....6, 7, 8

Yee v. City of Escondido, Cal.,
503 U.S. 519 (1992) 2

FEDERAL STATUTES

Fed. R. Civ. P. 54.....2

MISCELLANEOUS

Sup. Ct. R. 14.1 2

Petitioner New York Mercantile Exchange, Inc. ("NYMEX") has raised timely and valid grounds for a writ of certiorari. The opposing brief of Respondent Intercontinental Exchange, Inc. ("ICE") makes baseless arguments and misconstrues this case. Contrary to ICE's assertion (ICE Br. 1, first sentence), NYMEX's copyright infringement claim in this case is based on ICE's unlawful copying of NYMEX Settlement Prices *before* those settlement prices are required to be made available to the public.

I. THE MERGER DOCTRINE WAS CONSIDERED BY THE DISTRICT COURT AND THE COURT OF APPEALS

ICE erroneously asserts that NYMEX did not attack the merger doctrine in the proceedings below. NYMEX argued to both the District Court and the Second Circuit that the merger doctrine was not applicable because there was no merger of the "idea"—NYMEX's opinion of the value of futures contracts traded on NYMEX—with the expression of that idea—the NYMEX Settlement Prices.

NYMEX raised the issue of the applicability of the merger doctrine in the lower courts, and, therefore, NYMEX's argument that this Court should abolish the merger doctrine as a method of determining copyright protection is properly presented to this

Court.* As this Court has explained, one is not limited to the precise arguments it made below as long as the subject matter of its argument was raised:

> Once a federal claim is properly presented, a party can make any argument in support of that claim; *parties are not limited to the precise arguments they made below....*
>
> A litigant seeking review in this Court of a claim properly raised in the lower courts thus generally possesses the ability to frame the question to be decided in any way he chooses, *without being limited to the manner in which the question was framed below.* (emphasis added)

Yee v. City of Escondido, Cal., 503 U.S. 519, 534-35 (1992) (emphasis added).

Contrary to ICE's assertion, *Delta Air Lines, Inc. v. August*, 450 U.S. 346 (1981) is inapplicable. ICE Br. 2. In *Delta*, this Court found that the failure of a party to raise an issue concerning the denial of costs under Fed. R. Civ. P. 54(d) precluded consideration of that specific issue in this Court. *Id.* at 347 – 50; 362.

By contrast, NYMEX argued in the lower courts that the merger doctrine should not be used to deny copyright protection to NYMEX Settlement Prices.

---

* Sup. Ct. R. 14.1(a) provides that the questions set out in the petition or fairly included therein, will be considered by the Court.

Thus, the application of the merger doctrine was a prominent subject of the proceedings below.

KSR International Co. v. Teleflex, Inc., 127 S. Ct. 1727 (2007) provides further guidance and support for NYMEX's Petition. In *KSR*, this Court opined on the teaching, suggestion, or motivation to combine test (the "TSM test") for obviousness as to patents, even though the validity of the TSM test was raised for the first time in the petition for certiorari and the propriety of the TSM test had not been argued in the lower court proceedings. This Court recognized and held that the TSM test was an aberration of its earlier precedents—the same is true with respect to the merger doctrine. This Court should provide guidance to the lower courts as to whether the application of the merger doctrine is in accordance with copyright law and the Court's precedents.

II. THERE IS A COMPELLING NEED FOR THIS COURT TO REVIEW THE MERGER DOCTRINE

There is a compelling need for this Court to review the unsettled issue of the proper application of the merger doctrine for determining copyright protection. Although the merger doctrine has been used in the lower courts, it is a judicially-created doctrine that has never been adopted or approved by this Court.

In the absence of this Court's guidance, the lower courts have inconsistently and improperly applied the merger doctrine. The merger doctrine improperly denies copyright protection to creative works merely by terming these works as ideas on the basis that idea and expression have merged. ICE's Opposition Brief itself illustrates the misdirection

and confusion caused by the merger doctrine, where it states:

> By denying copyright protection to works that consist solely of the *expression of ideas*, the merger doctrine encourages the free use of ideas mandated by *Feist*.

ICE Br. 5 (emphasis added). Contrary to what ICE contends, protecting the *expression of ideas* is the very essence of copyright law.

Like the TSM test in patent law, the merger doctrine has become a rigid rule that lower courts use to deny copyright protection. As the Court noted in *KSR*, the rigid application of such rules allows lower courts to depart from fundamental principles enunciated by this Court. 127 S. Ct. at 1730–32. In *NYMEX*, for example, the merger doctrine was invoked to deny copyright protection to creative works of expression, resulting in a decision that is inherently incompatible with this Court's decision in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991),that creativity determines copyright protection. Pet. 15 – 20.

Applying a definition in hindsight, as the merger doctrine does, is outcome determinative of whether the idea and the expression of that idea are merged. Therefore, use of the merger doctrine as a tool to determine copyrightability is misguided because it unjustly transforms what was once a protectable work of expression into an uncopyrightable idea.

III. A CIRCUIT COURT SPLIT EXISTS BETWEEN THE SECOND AND NINTH CIRCUITS

There is a doctrinal disagreement between the Second and Ninth Circuits concerning the merger doctrine. The attempts of ICE and the Second Circuit to distinguish *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999) from *NYMEX* are unavailing.

As pointed out in NYMEX's Petition, the Second Circuit's only reference to *CDN* is a footnote, which states that "*CDN* is distinguishable because the price for collectible coins in that case was estimates, not discoverable market facts." Pet. 24 (citing Pet. App. 13, FN 5). However, NYMEX Settlement Prices are not merely "discoverable market facts." Indeed, the Second Circuit based its analysis of the application of the merger doctrine on the assumption that NYMEX's Settlement Prices were creative expression.

ICE now argues that *CDN* does not conflict with *NYMEX* because *CDN* involved an "author's views" of what prices should be for collectible coins, which "could vary significantly in their type and condition," while NYMEX involved settlement prices where "the range of possible expression... was so 'exceptionally narrow.'" ICE Br. 5. In other words, ICE argues that *CDN* and *NYMEX* involve different *kinds* of ideas and different *ranges* of possible expression. That argument is simply incorrect.

Rather, the record below established that the NYMEX Settlement Prices can vary significantly because they are the NYMEX Committee's opinions on the value of futures contracts that are traded on the NYMEX each day and on futures contracts for

which there has been no trading on a particular day. Like the author in *CDN* who expressed his creative opinion on the value of collectible coins, the NYMEX Committee expresses its creative opinions on the value of futures contracts. The Ninth Circuit held that CDN's prices fell "on the expression side of the line" and that the merger doctrine did not bar copyright protection. *CDN*, 197 F.3d at 1262. The Second Circuit, in contrast, found that NYMEX Settlement Prices fell on the idea side of the line and that the merger doctrine did bar copyright protection. The opposite decisions in the Ninth and Second Circuits did not result from any material factual difference; rather, they resulted from a doctrinal difference as to whether application of the merger doctrine was proper.

NYMEX acknowledges that its citation of *Veeck v. Southern Bldg. Code Congress Intern. Inc.*, 241 F.3d 398 (5th Cir. 2001) ("*Veeck I*") as evidence of a split among the circuits was in error in view of the *en banc* decision reported at 293 F.3d 791 (5th Cir. 2002) ("*Veeck II*"). However, the *en banc* decision in *Veeck II* supports review of the merger doctrine by this Court.

Veeck II was a split decision with two dissenting opinions in which a number of the judges joined. The dissenting opinions in *Veeck II* further highlight the compelling need for this Court to review the merger doctrine and instruct the lower courts on its applicability.

Judge Patrick Higginbotham recognized the shortcomings of the merger doctrine as an analytic tool for deciding the issue in *Veeck II*, stating that

its application was nothing more than a tool to arrive at a pre-determined result:

> As for the merger doctrine, I am not persuaded it brings anything more to the table.... A complex code, even a simple one, can be expressed in a variety of ways. That reality is not ended by choosing one manner of expression to enact and then pronouncing that this normative rule – "the law" – can only be expressed in one way. Of course, you have adopted the protected expression; the reasoning is wholly tautological. It is a restatement of the conclusion... not an independent reason why that is so.

293 F.3d at 807. Judge Higginbotham also said that reliance upon the merger doctrine is "wordplay" *Id.* at 808.

In a second dissent, joined by others, Judge Weiner characterized the merger doctrine as "widely misunderstood," further supporting the need for this Court's intervention:

> Libertarian advocates of freedom from essentially all copyright protection attempt to find a safe harbor in the merger doctrine as a last resort when they do not prevail on the idea/expression dichotomy.... Similar to the general misconception of the idea/expression dichotomy, the *widely misunderstood merger doctrine* also depends on the level of abstraction at which the court defines the "idea" that

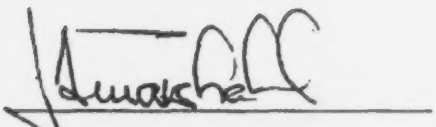
> is alleged to have merged with its expression.

Id. at 820-21 (emphasis added).

CONCLUSION

For the reasons set forth in NYMEX's petition and in this Reply, it is essential that the Court review the applicability of the merger doctrine in copyright law. NYMEX therefore respectfully requests that its petition for a writ of certiorari be granted.

Respectfully Submitted,



Jonathan A. Marshall*
David Francescani
Mark A. Fischer
Autumn J.S. Hwang
Kristen McCallion
FISH & RICHARDSON P.C.
Citigroup Center - 52nd Floor
153 East 53rd Street
New York, NY 10022
(212) 765-5070

Martin I. Kaminsky
Edward T. McDermott
POLLACK & KAMINSKY
114 West 47th Street
New York, NY 10036
(212) 575-4700

Counsel for Petitioner
New York Mercantile Exchange, Inc.

---

* Counsel of Record